

# Review of City of Austin Golf System

Prepared for

*City of*  
**Austin**

Presented by Kevin Gomillion  
PARD Golf Division Manager  
For

**Richard Singer**  
Sr. Director of Consulting  
National Golf Foundation Consulting, Inc.  
(561) 354-1642  
rsinger@ngf.org

**NGF - KEEPING GOLF BUSINESSES AHEAD OF THE GAME SINCE 1936**

501 NORTH HIGHWAY A1A, JUPITER, FL 33477

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- Founded 1936
- Municipal golf consulting industry leader
- Richard Singer and Ed Getherall
- **Independence – want what’s best for Austin**
- **Hired to:**
  - Evaluate condition and future potential of 5 City golf facilities
  - Establish long-term sustainability
  - Identify deficiencies and prepare capital improvement plan
  - Provide financial pro forma analysis under various scenarios

- City & golf course staff meetings
- Facility tour & physical review
- Market analysis
- External Factors
- Review of historical operating data
- Recommendations
- Financial projections

# Summary of Findings

# External Factors Affecting Golf Ops

- Positives:
  - Large population with vibrant and growing economy that should support continued interest in golf
  - The Austin golf courses generally compare favorably to competition
  - Austin golf system compared favorably to other benchmark subjects and are priced appropriately
  - NGF estimates approximately 117,000+ golfers in Austin potentially demanding 1.6 million rounds annually (33,000 per 18 holes)
- Negatives:
  - Large population segments w/o strong golf tradition in golf
  - General declining interest in golf, but golf is not “dead”

- Annual economic shortfalls have resulted in depletion of the Golf Fund since 2017.
- City has committed to a roughly \$4.0 million investment in new capital improvements.
- The high \$500,000 per year expense to lease the Lions Municipal GC property from the University of Texas
- Rapid inflation in golf facility operating expenses, particularly in labor cost
- Aging facilities with key infrastructure that is past its expected useful life (especially at Hancock and Lions)
- Positive customer satisfaction levels at or above 90%

# Physical Condition of Austin Courses

- City golf facilities are potentially sustainable, but require improvement in their playing conditions.
- All City courses need varying degrees of improvements and upgrades to remain viable as golf businesses.
- Most of the upgrades needed relate to infrastructure items that are well past expected useful life.
- NGF estimates about \$6.41 to \$7.96 million in needed City –Wide Capital Investment

# Recent Economic Performance

- The system has a mix of revenue performance, with all facilities except Hancock exceeding the 'average' of \$1.0 million in revenue per 18 holes
- The total rounds hosted and revenue generated by the golf courses has increased in the last few years, with the largest growth occurring in 2018
- The largest line-item expense in the City's golf budget is the lease at Lions Municipal GC, and without this lease, the City courses would be operationally self-sufficient.

# Recent Performance

## City of Austin Golf Courses Total Rounds Played by Facility (2014 – 2018)

Year	2014	2015	2016	2017	2018	14-18 avg	% of Total
Clay-Kizer	70,413	55,847	79,890	90,323	88,197	76,934	38.4%
Morris Williams	47,608	50,777	46,827	47,372	43,678	47,252	23.6%
Lions Muny	55,018	56,050	55,435	57,454	53,310	55,453	27.7%
Hancock	17,265	19,328	23,892	22,592	19,453	20,506	10.2%
<b>Total Base System</b>	<b>190,304</b>	<b>182,002</b>	<b>206,044</b>	<b>217,741</b>	<b>204,638</b>	<b>200,146</b>	<b>100.0%</b>
Annual Change		-4.4%	13.2%	5.7%	-6.0%		
Grey Rock				40,632	39,643		

Source: City of Austin Golf Division

# Individual Facility Reviews

# Clay-Kizer Golf Course (36-holes)

- Clay-Kizer appears to be the most stable in both condition and performance of the four primary Austin golf facilities (excluding Grey Rock)
- Practice facilities are extensive and correlate well with economic success
- The clubhouse facility at CKGC is small and reflective of a more modest public golf operation with limited service.
- Capital improvements needed - estimated at \$1.63M-\$1.89M, mainly for a new Jimmy Clay irrigation system and new greens on the Roy Kizer.
- The total activity and revenue generated exceeds expected norms, hosting over 88,000 rounds and generated just over \$3.0 million in revenue from all sources in FY2018.
- The facility is generating a total of \$34.07 per round of golf (the highest in the Austin system - excluding Grey Rock)

# Morris Williams Golf Course

- Largest and newest clubhouse in the Austin system (excluding Grey Rock) – could lead to growth (especially in attracting tournaments / outings).
- Capital improvement estimates total approximately \$830,000 to \$1.0 million, almost all of which would be spent to rebuild the greens at MWGC.
- Immediate local market shows the weakest golf demand in the Golf ATX system.
- The total activity exceeds expected norms, but has shown signs of decline in 2018 – likely a result of golf course conditions or the lower golf demand observed in the local market.
- MWGC generated \$29.43 per round of golf, which is second lowest in the Austin system, behind both Clay-Kizer and Lions.

# Lions Municipal Golf Course

- Property is extremely well located, is rich in history and has a classic golf course layout that is easy to play.
- Producing the highest total rounds per 18 holes in the Austin system, there are constraints to grow beyond the 57,000+/- rounds.
- The short length of the golf course limits rounds capacity, and the practice facilities are small and unappealing.
- The course is in declining condition with many antiquated features that will require upwards of \$2.3 to \$3.0 million to repair and enhance.
- The most significant challenge to the future of Lions GC is the large property lease of about \$500,000 in FY2019, expected to increase to \$600,000 in FY2020.
- Most of the amenities and support services are past their realistic useful life and in need of repair and upgrade.

- Potential to be an outstanding and economically successful public golf venue given its location and rich history.
- Property has limitations as a 9-hole configuration
- Performance not sufficient to cover operational and maintenance expense.
- Conditions requiring ~\$700,000 to \$900,000 in repairs and improvements
- City should consider the future of Hancock GC to include:
  - **Passive Park** – Cease golf and convert facility to a passive park of open space.
  - **Modify Hancock** - into a modern golf learning center, and continue to operate the facility with City staff.
  - **Redevelopment / Lease** – Enter into an agreement with a private entity to invest the money needed to transform it into a modern golf learning center, in exchange for lease payments to the City.

- Strongest revenue performer in the Golf ATX system, generating over \$2.9 million in revenue on only 39,600+/- rounds in 2018 (\$74.87 per round)..
- Physical condition is sound, but with a couple of deficiencies in condition of the greens and selected areas of problem drainage.
- Expansion of an indoor gathering / banquet space could help secure additional lucrative tournaments and outings.
- Very active with a large and engaged membership, which generates a significant proportion of activity and revenue.
- F & B operations provide a nice complement to the facility and service to the non-golfing community.

# NGF Recommendations

# Operational Recommendations

- Continue to operate the five-facility system directly under its present form of self-operation at Clay-Kizer, Morris Williams and Lions Municipal, the management contract operation at Grey Rock and a new ground lease with capital investment at Hancock.
- Move Lions GC out of the Golf Enterprise Fund and place it in the General Fund, or at least move the Lions ground lease payment to the General Fund.
- Improve marketing and direct selling, focusing on drawing non-league players and Austin visitors to City golf courses, and increase emphasis on new player development at all facilities, especially a potentially reimagined Hancock GC.
- Continue to invest in improvements and begin planning for future improvements beyond what is already funded in FY2020.

# Physical Recommendations

## City of Austin Golf Courses Summary of Preliminary Golf Facility Repair and Enhancements by Facility

Facility	Key Projects	Low Estimate	High Estimate
Clay-Kizer GC	JC irrigation, RK greens, clubhouse repair, RK pump station, tees	\$1,630,000	\$1,890,000
Morris Williams GC	Greens, tees, bunkers, range	580,000	703,000
Grey Rock GC	Greens, drainage, tees, on-course services, CH expansion	1,158,000	1,427,000
<b>Total Base Improvements</b>		<b>\$3,368,000</b>	<b>\$4,020,000</b>
<b>Other Projects (TBD - Pending Future Site Considerations)</b>			
Lions Municipal GC	Comprehensive renovation (greens, tees, turf, paths, features, clubhouse, maint. Fac. + equip)	\$2,340,000	\$3,060,000
Hancock GC (Base Improvement)	Comprehensive renovation (greens, tees, maint. Fac. + equip)	705,000	880,000
<b>Sub-Total LMGC + HGC</b>		<b>\$3,045,000</b>	<b>\$3,940,000</b>
<b>Total Estimated City-Wide Capital Investment</b>		<b>\$6,413,000</b>	<b>\$7,960,000</b>

All figures are NGF Consulting estimates based on architect input and other similar projects completed in the last 3 years that have been provided to allow for preliminary planning. These amounts may or may not reflect actual costs for the City, and the City of Austin should engage appropriate research to cost out specific projects.

# Financial Outlook

(assuming changes as presented)

Cash Flow Models – Summary per Facility – Scenario 2						
	Roy Kizer	Jimmy Clay	Morris Williams	Hancock	Grey Rock	Lions Muni.
Estimated Rounds FY 2023	48,000	50,000	54,000	16,000	45,000	0 (closed)
Estimated NOI* by 2023	\$240,000		\$60,100	\$117,900 \$58,900 Income to City (10%)	\$615,800 \$461,900 (income to City)	\$0
*Net operating income before transfer in						

Cash Flow Models – Summary Austin Golf System per Year – Scenario 2					
	FY2019	FY2021	FY2022	FY2023	FY2023
Estimated Rounds	241,000 As-Is	173,000 LMGC & HGC closed/Projects at CKGC	203,000 HGC re-opens as lease/projects at GRGC	213,000 Reno. complete	213,000 Reno. complete
Estimated NOI*	(\$497,100)	(\$253,400)	\$258,500	\$655,100	\$658,900
*Net operating income before transfer in					



# Summary Conclusions

- Commit to municipal golf in the City and create a long-term plan for City golf
- Implement the approved \$4.0 million in capital improvements and repairs
- Rearrange the system by removing Lions from the Golf Enterprise Fund
- Begin a program to transform Hancock GC into a modern golf learning center
- Work to grow golf participation in Austin through improved facilities and programming
- Enact modest changes to marketing, with new focus on attracting tournaments, events and golf outings

# Review of City of Evansville Golf System

Prepared for

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